

August 25, 2015

Gerard S. Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia

AUG28'15 PM12:35 BOARD

I am writing to you on behalf of Consumers Credit Union, a \$695 million dollar full service credit union headquartered in Northeastern Illinois. Through our associational based charter, we are able to serve anyone, anywhere and currently have over 58,000 members. Having established an MBL program about 6 years ago, we currently have \$65 million in loans on our books and an additional \$8 million off balance sheet with sold participation, while consistently maintaining a zero % delinquency at 60 days. Consumers Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendments to the member business lending regulation.

We believe that replacing the existing prescriptive requirements and limitations with a broader principle-based approach will provide us with some much needed flexibility in making member business loans. Our internal policies and procedures have all been designed to meet not only the current regulatory requirements but also importantly to reflect prudent commercial lending practices. As a result, we will not need to make any significant changes to how we do business and feel confident that the regulators will view our policies as adequate to support a principle-based rule. For this to be effective we urge you to set standards and have adequate examiner training to insure consistent interpretation

We support the elimination of the two year underwriting experience requirement. We believe often times that two years of experience is not sufficient to support the complexity of offering a full range of member business loans and to further manage risk within the portfolio. Further, we commend the need for senior executives to have a comprehensive understanding of those risks associated with having a commercial lending program and for experience requirements to go beyond the lending staff to include credit and administrative staff as well.

We are pleased to see the elimination of the following waiver requirements:

- Personal Guarantee Requirements
- Aggregate Construction & Development (D&D) loan limit
- Minimum borrower's equity for C&D loans
- LTV requirement

- Maximum unsecured MBL to one member or group of associated members
- Maximum aggregate unsecured MBL loan limit
- Maximum aggregate net MBL to one member or group of associated members.

This elimination will allow us to make reasonable decisions about these issues as a matter of policy, without the burden of the waiver request process and the flexibility will allow us to be more competitive on the better loan opportunities.

The proposed changes to the calculation of the MBL Cap could allow us to better meet the needs of our business member base. Our current pipeline puts us near the limit at 12.25% of total assets, eliminating that calculation and basing the Cap on our net worth (currently at about 8.6%) would give us additional capacity. This assumes however that the intent of the change is to use the current definition of well-capitalized at 7%. What is unclear at this time is if the definition of "well capitalized" will change once the new Risk Based Capital rules take effect and if so, will it require a higher capital ratio to meet the well capitalized level which could negatively impact the value of this change.

The creation of a category of loans called Commercial Loan, and the differentiation between those loans and MBL's seem cumbersome but the differentiation will allow us to grow beyond our MBL CAP by purchasing participations from other lenders that will no longer count towards our CAP limits. It may raise some questions for our consumer lending area regarding large dollar personal type vehicle loan requests for self-employed borrowers. Clarification as to what constitutes it being business vs. personal use would be beneficial. It is also unclear how examiners will view the selling of participations between a group of credit unions such or through the use of a small CUSO.

We have had a credit risk rating system in place since the inception of our MBL program. This requirement will have no impact on us but we are happy to see it addressed in the proposal to emphasize the importance of monitoring and reporting risk in the portfolio.

While there are many positive changes that could benefit our credit union as we continue to grow our MBL program, moving to this principles-based approach to lending will have some challenges. We urge the NCUA to ensure that their examiners are well schooled on a consistent set of expectations and to be consistent in their approach to reviewing our programs.

Thank you for the opportunity to comment on this Proposed Rule and for considering our views on the subject.

Respectfully,

  
Robin Korem

Vice President of Commercial Lending  
Consumers Credit Union